



Reprinted
January 31, 2014

HOUSE BILL No. 1211

DIGEST OF HB 1211 (Updated January 30, 2014 1:31 pm - DI 120)

Citations Affected: IC 6-3; IC 6-8.1; noncode.

Synopsis: Indexing family tax exemptions. Requires that the income tax exemption for individuals, dependents, individuals who are blind, and the elderly (including a dependent child and the elderly with an adjusted gross income less than \$40,000) must be adjusted according to the Consumer Price Index. Increases the dependent child exemption from \$1,500 to \$2,000. Requires the department of state revenue to publish certain information concerning adjustments to personal exemptions on the transparency Internet web site.

Effective: January 1, 2014 (retroactive); July 1, 2014.

Brown T, Turner

January 14, 2014, read first time and referred to Committee on Ways and Means.
January 28, 2014, amended, reported — Do Pass.
January 30, 2014, read second time, amended, ordered engrossed.

HB 1211—LS 7127/DI 120



Reprinted
January 31, 2014

Second Regular Session 118th General Assembly (2014)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

HOUSE BILL No. 1211

A BILL FOR AN ACT to amend the Indiana Code concerning
taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.205-2013,
2 SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2014 (RETROACTIVE)]: Sec. 3.5. When used in this
4 article, the term "adjusted gross income" shall mean the following:

5 (a) In the case of all individuals, "adjusted gross income" (as
6 defined in Section 62 of the Internal Revenue Code), modified as
7 follows:

8 (1) Subtract income that is exempt from taxation under this article
9 by the Constitution and statutes of the United States.

10 (2) Add an amount equal to any deduction or deductions allowed
11 or allowable pursuant to Section 62 of the Internal Revenue Code
12 for taxes based on or measured by income and levied at the state
13 level by any state of the United States.

14 (3) Subtract one thousand dollars (\$1,000), **as adjusted under**
15 **subsection (f)**, or in the case of a joint return filed by a husband
16 and wife, subtract for each spouse one thousand dollars (\$1,000),

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1 **each as adjusted under subsection (f).**

2 (4) Subtract one thousand dollars (\$1,000), **as adjusted under**
3 **subsection (f)**, for:

4 (A) each of the exemptions provided by Section 151(c) of the
5 Internal Revenue Code;

6 (B) each additional amount allowable under Section 63(f) of
7 the Internal Revenue Code; and

8 (C) the spouse of the taxpayer if a separate return is made by
9 the taxpayer and if the spouse, for the calendar year in which
10 the taxable year of the taxpayer begins, has no gross income
11 and is not the dependent of another taxpayer.

12 (5) Subtract:

13 (A) ~~one thousand five hundred dollars (\$1,500);~~ **two thousand**
14 **dollars (\$2,000), as adjusted under subsection (f)**, for each
15 of the exemptions allowed under Section 151(c)(1)(B) of the
16 Internal Revenue Code (as effective January 1, 2004); and

17 (B) five hundred dollars (\$500), **as adjusted under**
18 **subsection (f)**, for each additional amount allowable under
19 Section 63(f)(1) of the Internal Revenue Code if the adjusted
20 gross income of the taxpayer, or the taxpayer and the
21 taxpayer's spouse in the case of a joint return, is less than forty
22 thousand dollars (\$40,000).

23 This amount is in addition to the amount subtracted under
24 subdivision (4).

25 (6) Subtract an amount equal to the lesser of:

26 (A) that part of the individual's adjusted gross income (as
27 defined in Section 62 of the Internal Revenue Code) for that
28 taxable year that is subject to a tax that is imposed by a
29 political subdivision of another state and that is imposed on or
30 measured by income; or

31 (B) two thousand dollars (\$2,000).

32 (7) Add an amount equal to the total capital gain portion of a
33 lump sum distribution (as defined in Section 402(e)(4)(D) of the
34 Internal Revenue Code) if the lump sum distribution is received
35 by the individual during the taxable year and if the capital gain
36 portion of the distribution is taxed in the manner provided in
37 Section 402 of the Internal Revenue Code.

38 (8) Subtract any amounts included in federal adjusted gross
39 income under Section 111 of the Internal Revenue Code as a
40 recovery of items previously deducted as an itemized deduction
41 from adjusted gross income.

42 (9) Subtract any amounts included in federal adjusted gross



income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

(10) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(11) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(12) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(13) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(14) Subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(15) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(16) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

(17) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.



- 1 (18) Add an amount equal to any deduction allowed under
- 2 Section 172 of the Internal Revenue Code.
- 3 (19) Add or subtract the amount necessary to make the adjusted
- 4 gross income of any taxpayer that placed Section 179 property (as
- 5 defined in Section 179 of the Internal Revenue Code) in service
- 6 in the current taxable year or in an earlier taxable year equal to
- 7 the amount of adjusted gross income that would have been
- 8 computed had an election for federal income tax purposes not
- 9 been made for the year in which the property was placed in
- 10 service to take deductions under Section 179 of the Internal
- 11 Revenue Code in a total amount exceeding twenty-five thousand
- 12 dollars (\$25,000).
- 13 (20) Add an amount equal to the amount that a taxpayer claimed
- 14 as a deduction for domestic production activities for the taxable
- 15 year under Section 199 of the Internal Revenue Code for federal
- 16 income tax purposes.
- 17 (21) Subtract an amount equal to the amount of the taxpayer's
- 18 qualified military income that was not excluded from the
- 19 taxpayer's gross income for federal income tax purposes under
- 20 Section 112 of the Internal Revenue Code.
- 21 (22) Subtract income that is:
- 22 (A) exempt from taxation under IC 6-3-2-21.7; and
- 23 (B) included in the individual's federal adjusted gross income
- 24 under the Internal Revenue Code.
- 25 (23) Subtract any amount of a credit (including an advance refund
- 26 of the credit) that is provided to an individual under 26 U.S.C.
- 27 6428 (federal Economic Stimulus Act of 2008) and included in
- 28 the individual's federal adjusted gross income.
- 29 (24) Add any amount of unemployment compensation excluded
- 30 from federal gross income, as defined in Section 61 of the Internal
- 31 Revenue Code, under Section 85(c) of the Internal Revenue Code.
- 32 (25) Add the amount excluded from gross income under Section
- 33 108(a)(1)(e) of the Internal Revenue Code for the discharge of
- 34 debt on a qualified principal residence.
- 35 (26) Add an amount equal to any income not included in gross
- 36 income as a result of the deferral of income arising from business
- 37 indebtedness discharged in connection with the reacquisition after
- 38 December 31, 2008, and before January 1, 2011, of an applicable
- 39 debt instrument, as provided in Section 108(i) of the Internal
- 40 Revenue Code. Subtract the amount necessary from the adjusted
- 41 gross income of any taxpayer that added an amount to adjusted
- 42 gross income in a previous year to offset the amount included in



1 federal gross income as a result of the deferral of income arising
 2 from business indebtedness discharged in connection with the
 3 reacquisition after December 31, 2008, and before January 1,
 4 2011, of an applicable debt instrument, as provided in Section
 5 108(i) of the Internal Revenue Code.

6 (27) Add or subtract the amount necessary to make the adjusted
 7 gross income of any taxpayer that claimed the special allowance
 8 for qualified disaster assistance property under Section 168(n) of
 9 the Internal Revenue Code equal to the amount of adjusted gross
 10 income that would have been computed had the special allowance
 11 not been claimed for the property.

12 (28) Add or subtract the amount necessary to make the adjusted
 13 gross income of any taxpayer that made an election under Section
 14 179C of the Internal Revenue Code to expense costs for qualified
 15 refinery property equal to the amount of adjusted gross income
 16 that would have been computed had an election for federal
 17 income tax purposes not been made for the year.

18 (29) Add or subtract the amount necessary to make the adjusted
 19 gross income of any taxpayer that made an election under Section
 20 181 of the Internal Revenue Code to expense costs for a qualified
 21 film or television production equal to the amount of adjusted
 22 gross income that would have been computed had an election for
 23 federal income tax purposes not been made for the year.

24 (30) Add or subtract the amount necessary to make the adjusted
 25 gross income of any taxpayer that treated a loss from the sale or
 26 exchange of preferred stock in:

27 (A) the Federal National Mortgage Association, established
 28 under the Federal National Mortgage Association Charter Act
 29 (12 U.S.C. 1716 et seq.); or

30 (B) the Federal Home Loan Mortgage Corporation, established
 31 under the Federal Home Loan Mortgage Corporation Act (12
 32 U.S.C. 1451 et seq.);

33 as an ordinary loss under Section 301 of the Emergency
 34 Economic Stabilization Act of 2008 in the current taxable year or
 35 in an earlier taxable year equal to the amount of adjusted gross
 36 income that would have been computed had the loss not been
 37 treated as an ordinary loss.

38 (31) Add the amount excluded from federal gross income under
 39 Section 103 of the Internal Revenue Code for interest received on
 40 an obligation of a state other than Indiana, or a political
 41 subdivision of such a state, that is acquired by the taxpayer after
 42 December 31, 2011.



(32) This subdivision does not apply to payments made for services provided to a business that was enrolled and participated in the E-Verify program (as defined in IC 22-5-1.7-3) during the time the taxpayer conducted business in Indiana in the taxable year. For a taxable year beginning after June 30, 2011, add the amount of any trade or business deduction allowed under the Internal Revenue Code for wages, reimbursements, or other payments made for services provided in Indiana by an individual for services as an employee, if the individual was, during the period of service, prohibited from being hired as an employee under 8 U.S.C. 1324a.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not



1 been made for the year in which the property was placed in
 2 service to take deductions under Section 179 of the Internal
 3 Revenue Code in a total amount exceeding twenty-five thousand
 4 dollars (\$25,000).

5 (8) Add an amount equal to the amount that a taxpayer claimed as
 6 a deduction for domestic production activities for the taxable year
 7 under Section 199 of the Internal Revenue Code for federal
 8 income tax purposes.

9 (9) Add to the extent required by IC 6-3-2-20 the amount of
 10 intangible expenses (as defined in IC 6-3-2-20) and any directly
 11 related intangible interest expenses (as defined in IC 6-3-2-20) for
 12 the taxable year that reduced the corporation's taxable income (as
 13 defined in Section 63 of the Internal Revenue Code) for federal
 14 income tax purposes.

15 (10) Add an amount equal to any deduction for dividends paid (as
 16 defined in Section 561 of the Internal Revenue Code) to
 17 shareholders of a captive real estate investment trust (as defined
 18 in section 34.5 of this chapter).

19 (11) Subtract income that is:

20 (A) exempt from taxation under IC 6-3-2-21.7; and

21 (B) included in the corporation's taxable income under the
 22 Internal Revenue Code.

23 (12) Add an amount equal to any income not included in gross
 24 income as a result of the deferral of income arising from business
 25 indebtedness discharged in connection with the reacquisition after
 26 December 31, 2008, and before January 1, 2011, of an applicable
 27 debt instrument, as provided in Section 108(i) of the Internal
 28 Revenue Code. Subtract from the adjusted gross income of any
 29 taxpayer that added an amount to adjusted gross income in a
 30 previous year the amount necessary to offset the amount included
 31 in federal gross income as a result of the deferral of income
 32 arising from business indebtedness discharged in connection with
 33 the reacquisition after December 31, 2008, and before January 1,
 34 2011, of an applicable debt instrument, as provided in Section
 35 108(i) of the Internal Revenue Code.

36 (13) Add or subtract the amount necessary to make the adjusted
 37 gross income of any taxpayer that claimed the special allowance
 38 for qualified disaster assistance property under Section 168(n) of
 39 the Internal Revenue Code equal to the amount of adjusted gross
 40 income that would have been computed had the special allowance
 41 not been claimed for the property.

42 (14) Add or subtract the amount necessary to make the adjusted



gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(15) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(16) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

(17) This subdivision does not apply to payments made for services provided to a business that was enrolled and participated in the E-Verify program (as defined in IC 22-5-1.7-3) during the time the taxpayer conducted business in Indiana in the taxable year. For a taxable year beginning after June 30, 2011, add the amount of any trade or business deduction allowed under the Internal Revenue Code for wages, reimbursements, or other payments made for services provided in Indiana by an individual for services as an employee, if the individual was, during the period of service, prohibited from being hired as an employee under 8 U.S.C. 1324a.

(18) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

(c) In the case of life insurance companies (as defined in Section



1 816(a) of the Internal Revenue Code) that are organized under Indiana
 2 law, the same as "life insurance company taxable income" (as defined
 3 in Section 801 of the Internal Revenue Code), adjusted as follows:

4 (1) Subtract income that is exempt from taxation under this article
 5 by the Constitution and statutes of the United States.

6 (2) Add an amount equal to any deduction allowed or allowable
 7 under Section 170 of the Internal Revenue Code.

8 (3) Add an amount equal to a deduction allowed or allowable
 9 under Section 805 or Section 831(c) of the Internal Revenue Code
 10 for taxes based on or measured by income and levied at the state
 11 level by any state.

12 (4) Subtract an amount equal to the amount included in the
 13 company's taxable income under Section 78 of the Internal
 14 Revenue Code.

15 (5) Add or subtract the amount necessary to make the adjusted
 16 gross income of any taxpayer that owns property for which bonus
 17 depreciation was allowed in the current taxable year or in an
 18 earlier taxable year equal to the amount of adjusted gross income
 19 that would have been computed had an election not been made
 20 under Section 168(k) of the Internal Revenue Code to apply bonus
 21 depreciation to the property in the year that it was placed in
 22 service.

23 (6) Add an amount equal to any deduction allowed under Section
 24 172 or Section 810 of the Internal Revenue Code.

25 (7) Add or subtract the amount necessary to make the adjusted
 26 gross income of any taxpayer that placed Section 179 property (as
 27 defined in Section 179 of the Internal Revenue Code) in service
 28 in the current taxable year or in an earlier taxable year equal to
 29 the amount of adjusted gross income that would have been
 30 computed had an election for federal income tax purposes not
 31 been made for the year in which the property was placed in
 32 service to take deductions under Section 179 of the Internal
 33 Revenue Code in a total amount exceeding twenty-five thousand
 34 dollars (\$25,000).

35 (8) Add an amount equal to the amount that a taxpayer claimed as
 36 a deduction for domestic production activities for the taxable year
 37 under Section 199 of the Internal Revenue Code for federal
 38 income tax purposes.

39 (9) Subtract income that is:

40 (A) exempt from taxation under IC 6-3-2-21.7; and

41 (B) included in the insurance company's taxable income under
 42 the Internal Revenue Code.



(10) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

(11) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.

(12) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(13) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(14) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or



1 in an earlier taxable year equal to the amount of adjusted gross
 2 income that would have been computed had the loss not been
 3 treated as an ordinary loss.

4 (15) Add an amount equal to any exempt insurance income under
 5 Section 953(e) of the Internal Revenue Code that is active
 6 financing income under Subpart F of Subtitle A, Chapter 1,
 7 Subchapter N of the Internal Revenue Code.

8 (16) This subdivision does not apply to payments made for
 9 services provided to a business that was enrolled and participated
 10 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 11 time the taxpayer conducted business in Indiana in the taxable
 12 year. For a taxable year beginning after June 30, 2011, add the
 13 amount of any trade or business deduction allowed under the
 14 Internal Revenue Code for wages, reimbursements, or other
 15 payments made for services provided in Indiana by an individual
 16 for services as an employee, if the individual was, during the
 17 period of service, prohibited from being hired as an employee
 18 under 8 U.S.C. 1324a.

19 (17) Add the amount excluded from federal gross income under
 20 Section 103 of the Internal Revenue Code for interest received on
 21 an obligation of a state other than Indiana, or a political
 22 subdivision of such a state, that is acquired by the taxpayer after
 23 December 31, 2011.

24 (d) In the case of insurance companies subject to tax under Section
 25 831 of the Internal Revenue Code and organized under Indiana law, the
 26 same as "taxable income" (as defined in Section 832 of the Internal
 27 Revenue Code), adjusted as follows:

28 (1) Subtract income that is exempt from taxation under this article
 29 by the Constitution and statutes of the United States.

30 (2) Add an amount equal to any deduction allowed or allowable
 31 under Section 170 of the Internal Revenue Code.

32 (3) Add an amount equal to a deduction allowed or allowable
 33 under Section 805 or Section 831(c) of the Internal Revenue Code
 34 for taxes based on or measured by income and levied at the state
 35 level by any state.

36 (4) Subtract an amount equal to the amount included in the
 37 company's taxable income under Section 78 of the Internal
 38 Revenue Code.

39 (5) Add or subtract the amount necessary to make the adjusted
 40 gross income of any taxpayer that owns property for which bonus
 41 depreciation was allowed in the current taxable year or in an
 42 earlier taxable year equal to the amount of adjusted gross income



that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(9) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the insurance company's taxable income under the Internal Revenue Code.

(10) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

(11) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance



not been claimed for the property.

(12) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(13) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(14) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

(15) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

(16) This subdivision does not apply to payments made for services provided to a business that was enrolled and participated in the E-Verify program (as defined in IC 22-5-1.7-3) during the time the taxpayer conducted business in Indiana in the taxable year. For a taxable year beginning after June 30, 2011, add the amount of any trade or business deduction allowed under the Internal Revenue Code for wages, reimbursements, or other payments made for services provided in Indiana by an individual for services as an employee, if the individual was, during the period of service, prohibited from being hired as an employee under 8 U.S.C. 1324a.



(17) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

(3) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(4) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(6) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(7) Subtract income that is:

(A) exempt from taxation under IC 6-3-2-21.7; and

(B) included in the taxpayer's taxable income under the



- 1 Internal Revenue Code.
- 2 (8) Add an amount equal to any income not included in gross
 3 income as a result of the deferral of income arising from business
 4 indebtedness discharged in connection with the reacquisition after
 5 December 31, 2008, and before January 1, 2011, of an applicable
 6 debt instrument, as provided in Section 108(i) of the Internal
 7 Revenue Code. Subtract from the adjusted gross income of any
 8 taxpayer that added an amount to adjusted gross income in a
 9 previous year the amount necessary to offset the amount included
 10 in federal gross income as a result of the deferral of income
 11 arising from business indebtedness discharged in connection with
 12 the reacquisition after December 31, 2008, and before January 1,
 13 2011, of an applicable debt instrument, as provided in Section
 14 108(i) of the Internal Revenue Code.
- 15 (9) Add or subtract the amount necessary to make the adjusted
 16 gross income of any taxpayer that claimed the special allowance
 17 for qualified disaster assistance property under Section 168(n) of
 18 the Internal Revenue Code equal to the amount of adjusted gross
 19 income that would have been computed had the special allowance
 20 not been claimed for the property.
- 21 (10) Add or subtract the amount necessary to make the adjusted
 22 gross income of any taxpayer that made an election under Section
 23 179C of the Internal Revenue Code to expense costs for qualified
 24 refinery property equal to the amount of adjusted gross income
 25 that would have been computed had an election for federal
 26 income tax purposes not been made for the year.
- 27 (11) Add or subtract the amount necessary to make the adjusted
 28 gross income of any taxpayer that made an election under Section
 29 181 of the Internal Revenue Code to expense costs for a qualified
 30 film or television production equal to the amount of adjusted
 31 gross income that would have been computed had an election for
 32 federal income tax purposes not been made for the year.
- 33 (12) Add or subtract the amount necessary to make the adjusted
 34 gross income of any taxpayer that treated a loss from the sale or
 35 exchange of preferred stock in:
- 36 (A) the Federal National Mortgage Association, established
 37 under the Federal National Mortgage Association Charter Act
 38 (12 U.S.C. 1716 et seq.); or
- 39 (B) the Federal Home Loan Mortgage Corporation, established
 40 under the Federal Home Loan Mortgage Corporation Act (12
 41 U.S.C. 1451 et seq.);
- 42 as an ordinary loss under Section 301 of the Emergency



1 Economic Stabilization Act of 2008 in the current taxable year or
 2 in an earlier taxable year equal to the amount of adjusted gross
 3 income that would have been computed had the loss not been
 4 treated as an ordinary loss.

5 (13) Add the amount excluded from gross income under Section
 6 108(a)(1)(e) of the Internal Revenue Code for the discharge of
 7 debt on a qualified principal residence.

8 (14) This subdivision does not apply to payments made for
 9 services provided to a business that was enrolled and participated
 10 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 11 time the taxpayer conducted business in Indiana in the taxable
 12 year. For a taxable year beginning after June 30, 2011, add the
 13 amount of any trade or business deduction allowed under the
 14 Internal Revenue Code for wages, reimbursements, or other
 15 payments made for services provided in Indiana by an individual
 16 for services as an employee, if the individual was, during the
 17 period of service, prohibited from being hired as an employee
 18 under 8 U.S.C. 1324a.

19 (15) Add the amount excluded from federal gross income under
 20 Section 103 of the Internal Revenue Code for interest received on
 21 an obligation of a state other than Indiana, or a political
 22 subdivision of such a state, that is acquired by the taxpayer after
 23 December 31, 2011.

24 **(f) As used in this subsection, "CPI" refers to the United States**
 25 **Bureau of Labor Statistics Consumer Price Index, all items, all**
 26 **urban consumers, or its successor index. For taxable years**
 27 **beginning after December 31, 2013, the amount of an exemption**
 28 **allowed under subsection (a)(3), (a)(4), or (a)(5) for a qualified**
 29 **individual is the amount determined by the department under**
 30 **STEP FOUR of the following formula:**

31 **STEP ONE: Determine the percentage change between the**
 32 **CPI as of the last day of the immediately preceding state fiscal**
 33 **year and the CPI as of the last day of the state fiscal year**
 34 **before the preceding state fiscal year.**

35 **STEP TWO: Express the percentage change determined in**
 36 **STEP ONE as a two (2) digit decimal rounded to the nearest**
 37 **hundredth. A negative percentage change under this STEP**
 38 **must be treated as zero (0).**

39 **STEP THREE: Multiply the percentage change determined**
 40 **in STEP TWO by the exemption amount, as determined**
 41 **under this subsection for the previous taxable year.**

42 **STEP FOUR: Add the STEP THREE product to the**



1 exemption amount, as determined under this subsection for
 2 the previous taxable year.

3 The department shall publish in the Indiana Register the adjusted
 4 exemption amounts for subsection (a)(3), (a)(4), and (a)(5).

5 SECTION 2. IC 6-8.1-3-22 IS ADDED TO THE INDIANA CODE
 6 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 7 1, 2014]: Sec. 22. Before January 1 of each year, the department
 8 shall make the following information available electronically
 9 through the Indiana transparency Internet web site established
 10 under IC 5-14-3.5:

11 (1) The percentage of the most recent adjustments made
 12 under IC 6-3-1-3.5(f) to the exemption amounts under
 13 IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5).

14 (2) The dollar amount of the most recent adjustments made
 15 under IC 6-3-1-3.5(f) to the exemption amounts under
 16 IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5).

17 (3) The amount of money by which an individual taxpayer's
 18 Indiana adjusted gross income tax liability is reduced after
 19 applying the applicable tax rate under IC 6-3-2-1 to the most
 20 recently adjusted exemption amounts under IC 6-3-1-3.5(a)(3)
 21 through IC 6-3-1-3.5(a)(5).

22 (4) The taxable years to which the most recent adjustments
 23 made under IC 6-3-1-3.5(f) to the exemption amounts under
 24 IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5) apply.

25 SECTION 3. [EFFECTIVE JANUARY 1, 2014 (RETROACTIVE)]
 26 For a taxable year beginning in 2014, the STEP THREE exemption
 27 amount and the STEP FOUR exemption amount under
 28 IC 6-3-1-3.5(f), as added by this act, for subsection (a)(3), (a)(4),
 29 and (a)(5) of IC 6-3-1-3.5 are:

30 (1) one thousand dollars (\$1,000) for IC 6-3-1-3.5(a)(3) and
 31 for IC 6-3-1-3.5(a)(4);

32 (2) two thousand dollars (\$2,000) for IC 6-3-1-3.5(a)(5)(A);
 33 and

34 (3) five hundred dollars (\$500) for IC 6-3-1-3.5(a)(5)(B).

35 This SECTION expires January 1, 2016.

36 SECTION 4. An emergency is declared for this act.



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1211, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, line 13, strike "one thousand five hundred dollars (\$1,500)," and insert "**two thousand dollars (\$2,000)**,".

Page 17, between lines 4 and 5, begin a new paragraph and insert: "SECTION 2. IC 6-8.1-3-22 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: **Sec. 22. Before January 1 of each year, the department shall make the following information available electronically through the Indiana transparency Internet web site established under IC 5-14-3.5:**

- (1) The percentage of the most recent adjustments made under IC 6-3-1-3.5(f) to the exemption amounts under IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5).
- (2) The dollar amount of the most recent adjustments made under IC 6-3-1-3.5(f) to the exemption amounts under IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5).
- (3) The amount of money by which an individual taxpayer's Indiana adjusted gross income tax liability is reduced after applying the applicable tax rate under IC 6-3-2-1 to the most recently adjusted exemption amounts under IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5).
- (4) The taxable years to which the most recent adjustments made under IC 6-3-1-3.5(f) to the exemption amounts under IC 6-3-1-3.5(a)(3) through IC 6-3-1-3.5(a)(5) apply."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1211 as introduced.)

BROWN T, Chair

Committee Vote: yeas 18, nays 0.



HOUSE MOTION

Mr. Speaker: I move that House Bill 1211 be amended to read as follows:

Page 17, line 32, delete "one thousand five hundred dollars (\$1,500)" and insert "**two thousand dollars (\$2,000)**".

(Reference is to HB 1211 as printed January 28, 2014.)

BROWN T

